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## **Petrocaribe Deal, A Lifesaver For Honduras, In Doubt**

*by LADB Staff*

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Honduras became the 17th member of Petrocaribe on Dec. 22. Petrocaribe is the program of Venezuelan state-owned Petroleos de Venezuela, S.A. (PDVSA) through which struggling Central American and Caribbean countries buy fuel products at favorable and deferred terms (see NotiCen, 2007-11-29). Honduras agreed to terms that would supply 100% of its bunker fuel and 30% of its gasoline and diesel for the next two years. The administration of President Manuel Zelaya has said repeatedly that the state would not be able to continue to subsidize fuel prices as it did during 2007 to keep the economy from stalling. But Congreso Nacional president Roberto Michelletti of Zelaya's Partido Liberal (PL), once a supporter of the plan, came down against it. In a Jan. 5 meeting, the congressional delegation decided to vote against approval.

The stated issue upon which they turned was the debt Honduras would accrue under the terms of deferred payment. According to the Foro Social de Deuda Externa y Desarrollo de Honduras (FOSDEH), that amount would be US\$960 million for the two-year period of the Petrocaribe contract. Some deputies worried that the indebtedness, coming soon after Honduras received debt forgiveness from international lenders under terms available to it as a Heavily Indebted Poor Country (HIPC), would disqualify them from future loans. Honduras has so far, under HIPC, reduced its foreign debt from US\$4.3 billion to US\$1.7 billion. Others have taken the right-wing position that any deal with Hugo Chavez is a bad deal, no matter how good it is, despite the administration's repeated assurance that it is just business, not ideology.

Deputy Jose Azcona called Chavez's political notions "out-of-fashion trends dating to Russia and the Cold War." On the other side of the aisle, assistant leader of the opposition Partido Nacional (PN) Antonio Rivera Callejas fretted that the oil deal "might strain relations with the US, our principal trade partner, and lead to more deportations. Behind all the rhetoric, analysts detect self-interest. The oil and gas business in Honduras is lucrative and tightly controlled from port to pump. Juliette Handal of the Coalicion Patriotica, an energy-reform organization, said, "Those demonizing the accord are doing so because it affects their financial interests." Adolfo Facusse, president of the Asociacion Nacional de Industriales de Honduras (ANDI), strongly favors the accord, however, with the proviso that the country could pay part of the debt with agricultural goods. Facusse and everyone else in the private sector have already seen the administration go through several schemes to lower fuel costs, including a single-source system in which companies and consortia would bid for the exclusive right to supply the whole country. The strategies had some bizarre moments, including awarding a contract only to find that the supplier had nowhere to store the oil (see NotiCen, 2007-03-08). Nothing has worked to relieve the price pressure on the economy.

Adding fuel to the political fires, Honduran Cardinal Andres Rodriguez, archbishop of Tegucigalpa, spoke against the deal, saying, "I believe it is not good to continue indebting ourselves." Admitting a less-than-perfect grasp of the situation, the cardinal said he thought the oil companies ought to carry the debt, not the government. He recommended, "The world must make a call, in a special way, to

OPEC, for them to be in solidarity with the world of the poor" and not to keep on "accumulating profits." Rodriguez's opposition drew the wrath of President Chavez last year. In July, Chavez called Rodriguez "a parrot and imperialist clown," after the cardinal turned upon him with a stream of politically tinted invective in the press. On Jan. 15, after attending the inauguration of President Alvaro Colom next door in Guatemala, Chavez stopped off in Honduras and signed a couple of deals with Zelaya, one for a bilateral-aid package and another for diplomatic visas. The oil coin was still in the air. "The Petrocaribe thing is still pending," Claudio Sorio, head of commerce at the Venezuelan Embassy told reporters, but it appeared that negotiations toward a signed deal were proceeding. Honduras will have to meet a number of conditions before oil starts flowing.

Present at the Casa de Gobierno meeting in Tegucigalpa was powerful businessman, economist, and PL heavyweight Jaime Rosenthal Oliva, who enthusiastically endorsed Petrocaribe as a "good deal for Honduras." Rosenthal is a clean-energy advocate and said the Venezuelan deal would also help the country build the dams needed to supply clean hydroelectric power. He took on the naysayers in characteristic fashion, saying that, if the government "doesn't grab the loan from Petrocaribe, I will grab it myself. I would build all the hydroelectric dams the country needs and I would guarantee payment and ensure that nobody is going to steal a cent." Rosenthal said the Venezuelan conditions would permit resources to be used for the electrical projects and "financing agriculture, which would reduce poverty and generate more profitable, competitive production on the world market." He added assurances that Venezuela's offer "does not include any ideological transformation. Dignity is not for sale, and we will not sell our principles for a loan. We have to maintain our democratic position, understanding that it is not part of the deal, nor of the negotiations." Rosenthal summed up the opposition as "ignorance in some, evil in others, and politics for others, wanting the government to fail."

Strong support for the Petrocaribe deal also came from Carlos Montoya, director for Honduras of the Banco Centroamericano de Integracion Economica (BCIE). Montoya said, "The offer through the Petrocaribe initiative of Venezuela is practically a gift for Honduras, because no country in the world confers US\$400 million in financing under such favorable conditions." He called the Chavez visit very important for the Honduran economy. He described the importance in the baldest of terms, saying, "We need investments of more than US\$1 billion a year, and we must build hydroelectric dams, high capacity highways, but we don't have any resources."

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